February 4, 2022

Consolidated Financial Results (Japanese Accounting Standards) for the Nine Months Ended December 31, 2021 (Q3 FY2021) (English Translation)

Company name:	KAMEDA SEIKA CO., LTD.
Stock exchange:	Tokyo Stock Exchange
Stock code:	2220
URL:	www.kamedaseika.co.jp
Representative:	Isamu Sato, President & COO
Contact:	Akira Kobayashi, General Manager Administrative Div. Director & CFO Tel. +81-25-382-2111

Scheduled date for filing of securities report:	February 14, 2022
Scheduled date of commencement of dividend payment:	-
Supplementary documents for quarterly results:	Yes
Quarterly results briefing:	None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2021 (April 1, 2021 - December 31, 2021)

(1) Consolidated Results of Operations (Accumulated Total)

(Percentages show year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Nine months ended	¥ million	%	¥ million	%	¥ million	%	¥ million	%
December 31, 2021	62,531	―	2,969	-22.3	3,677	-20.6	3,075	-7.6
December 31, 2020	77,230	0.7	3,822	1.6	4,631	2.8	3,328	2.5

(Note) Comprehensive income: ¥ 3,881million (34.6%) for the nine months ended December 31, 2021
¥ 2,883million (2.6%) for the nine months ended December 31, 2020

	Net income Per share (basic)	Net income Per share (diluted)
Nine months ended	¥	¥
December 31, 2021	145.89	―
December 31, 2020	157.88	―

(Note) 1. At the end of the fiscal year ended March 31, 2021, the Company confirmed the provisional accounting treatment related to business combinations. The figures for the nine months ended December 31, 2021 reflect the confirmed content of the provisional accounting treatment.

2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current consolidated fiscal year. The figures for the nine months ended December 31, 2021 represent figures after the application of the accounting standard, etc. Accordingly, the year-on-year percentage change in net sales is not stated.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of December 31, 2021	101,044	62,704	59.9	2,869.33
As of March 31, 2021	92,888	59,895	62.7	2,761.24

(Reference) Shareholder’s equity: As of December 31, 2021: ¥ 60,496 million
As of March 31, 2021: ¥ 58,217 million

(Note) The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) etc. from the beginning of the first quarter of the current consolidated fiscal year.
The figures for the nine months ended December 31, 2021 represent figures after the application of the accounting standard, etc.

2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	¥	¥	¥	¥	¥
Year ended March 31, 2021	—	15.00	—	38.00	53.00
Year ending March 31, 2022	—	15.00	—		
Year ending March 31, 2022 (forecasts)				39.00	54.00

(Note) Revisions to dividend forecasts published most recently: None

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2022 (April 1, 2021 – March 31, 2022)

(Percentages represent ratio of changes from the corresponding period of the previous year)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Year ending March 31, 2022	84,000	—	4,800	-14.6	5,600	-18.7	4,300	-9.6	203.95

(Note) 1. Revisions to financial forecasts published most recently: Yes

2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the current consolidated fiscal year. The figures for the nine months ended December 31, 2021 represent figures after the application of the accounting standard, etc. Accordingly, the year-on-year percentage change in net sales is not stated.

* Notes

(1) Changes of important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation): Yes

1 new company (Company name) THIEN HA KAMEDA, JSC.

(Note) For details, please refer to page 10 of the Appendix,“2. Quarterly Consolidated Financial Statements (3) Notes to the Quarterly Consolidated Financial Statements (Changes in Important Subsidiaries during the Period)”

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements: None.

(3) Changes in accounting policies and changes or restatement of accounting estimates

(i)	Changes in accounting policies caused by revision of accounting standards:	Yes
(ii)	Changes in accounting policies other than (i):	None
(iii)	Changes in accounting estimates:	None
(iv)	Restatement:	None

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 10 of the Appendix.

(4) Number of shares outstanding (common stock):

(i) Number of shares outstanding at end of period (including treasury stock)

As of December 31, 2021:	22,318,650 shares
As of March 31, 2021:	22,318,650 shares

(ii) Number of treasury stock at end of period

As of December 31, 2021:	1,234,910 shares
As of March 31, 2021:	1,234,695 shares

(iii) Average number of shares outstanding during the term

Nine months ended December 31, 2021:	21,083,887 shares
Nine months ended December 31, 2020:	21,084,021 shares

* This quarterly financial results report is not subject to quarterly review procedures by certified public accountants or the audit corporation.

* Explanations and other special notes concerning the appropriate use of performance forecasts.
(Caution concerning statements, etc. regarding the future)
The forward-looking statements such as performance forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable. Actual results may differ materially from the forecast depending on a range of factors. See "1. Qualitative Consolidated Financial Results Data for the Period under Review (3) Explanation of Future Estimates, Including Consolidated Forecasts" on page 5 of the Appendix for the conditions assumed in consolidated forecasts and notes on the use of consolidated forecasts.

(How to obtain supplementary materials on financial results)
Download from the Company's website, available from Thursday, February 10, 2022.

Contents of Appendix

1. Qualitative Consolidated Financial Results Data for the Period under Review

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, the "Revenue Recognition Accounting Standard"), etc. from the beginning of the first quarter of the current consolidated fiscal year.

The change in net sales compared to the nine months ended December 31, 2020 and the year-on-year percentage change are not stated, because the figures for the nine months ended December 31, 2021, explained herein as a consolidated operating results represent figures after the application of the accounting standard, etc.

For details regarding the application of the "Revenue Recognition Accounting Standard," etc., please refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to the Quarterly Consolidated Financial Statements (Changes in Accounting Policies)."

(1) Explanation of Consolidated Operating Results

During the nine months ended December 31, 2021, the Japanese economy continued to face a sluggish recovery in domestic consumption due to the spread of new mutant strains of COVID-19, and the outlook remained uncertain.

With regard to the global economy, people are continuing to search for ways to coexist with COVID-19, and the economy is beginning to show signs of recovery amid delicate maneuvering, such as inflation control measures in the U.S. and the maintenance of the lower limit of potential growth rate in China.

In the food industry in Japan, despite support from firm demand, revenue levels of companies are being pushed down by rising transportation costs due to soaring crude oil prices and strong upward pressure on various raw materials.

Under these conditions and changes in the environment surrounding the food industry, the KAMEDA SEIKA Group has determined in the Medium-Term-Business Plan to continue to deliver value to customers from the perspective of "Better For You"; contribution to a healthy lifestyle through the selection, eating and enjoyment of things that are delicious and good for the body. Hence, the KAMEDA SEIKA Group will be enable to achieve sustainable growth and enhance its corporate value by realizing its long-term vision of becoming a "Global Food Company." By FY2030, we aim to evolve from a "Rice cracker and snack manufacturer" to a "'Better for You' food company."

During the period of the medium-term business plan, which continues to FY2023, we are striving to realize our vision as a distinctive global corporation that stands firmly on the foundation provided by the three pillars of our Domestic Rice Cracker Business, Overseas Business, and Food Business. At the same time, we will implement structural reforms from a medium-to-long-term perspective to address changes in the business environment, such as changes in consumer behavior triggered by COVID-19, thereby making efforts to achieve sustainable growth and enhance our corporate value.

We have positioned FY2021 as a year to solidify the foundation for our next stage of growth and to implement structural reforms, and are engaged in implementing various measures. In the Domestic Rice Cracker Business, we are working to further strengthen our revenue base in order to solidify our position, which is by far the best in the industry. The Overseas Business is working to achieve further growth in the North American market, and to improve profit and expand through investment in Asia. The Food Business is working to expand long-life preserved foods and allergen-free products, and to strengthen our initiatives for plant-based foods.

In the Domestic Rice Cracker Business, we are working to expand environmentally friendly products from a medium-to-long-term perspective. In terms of sales, we are concentrating management resources on growth channels, and promoting the digitalization of sales activities such as SFA and MotionBoard. Even though stay-at-home demand resulting from the COVID-19 pandemic is subsiding, many of our products, such as "Tsumami Dane" and "Mugen Ebi," are highly popular among our customers. We are working to increase our production capacity to meet the strong demand. Meanwhile, net sales of the Domestic Rice Cracker Business were down year-on-year, due to the impact of supply delays for our core products as a result of temporary labor shortages and other factors that acted against the increase in demand during the summer, as well as the impact of changes in product specifications and price revisions due to soaring raw material prices.

Our core brands, “KAMEDA Kaki-no-Tane” and “Happy Turn” are commemorating the 55th and 45th anniversaries of their launch, respectively. We are aiming to enhance the value of our brand through communication with customers by implementing a variety of campaigns to strengthen customer contact points.

As a result of these initiatives, excluding the impact of the decline in revenue due to the Revenue Recognition Accounting Standard, net sales of our core brands, “Happy Turn,” “Tsumami Dane,” “Waza-no-KodaWari,” and “HaiHain” were up year-on-year. Meanwhile, “KAMEDA Kaki-no-Tane,” “KAMEDA Magari Senbei,” “Usuyaki,” “Soft Salad,” “Teshioya,” “Potapota Yaki,” “Age-Ichiban,” and “Katabutsu” were down year-on-year.

In the Overseas Business, Mary’s Gone Crackers, Inc. in North America experienced a rebound from the special demand caused by the spread of COVID-19 in the previous year. Meanwhile, net sales of Singha Kameda (Thailand) Co. Ltd., which became a consolidated subsidiary during the previous fiscal year, contributed to our performance from the beginning of the fiscal year, while THIEN HA KAMEDA, JSC., which has the potential to expand sales channels in Vietnam and become a production base for future cross-border exports, has been included in the consolidated income from the third quarter. As a result, net sales excluding the impact of the decline in revenue due to the Revenue Recognition Accounting Standard increased year-on-year.

In the Food Business, long-life preserved foods for corporate stockpiling as well as individual demand for such products has remained stable against the backdrop of heightened awareness regarding disaster prevention. In addition, inquiries for rice flour bread, which is free of 28 items identified as allergens and is produced by TAINAI Co., Ltd., which became a consolidated subsidiary, have been increasing rapidly. Meanwhile, stockpiling demand for long-life preserved foods during the COVID-19 pandemic has run its course. As a result, net sales excluding the impact of the decline in revenue due to the Revenue Recognition Accounting Standard decreased year-on-year.

As a result of the above, net sales totaled ¥62,531 million.

In terms of operating income, net sales at subsidiaries that deal with products for department stores and sell souvenirs remained at a moderate level of recovery, due to the impact of the intermittent continuation of declarations of a state of emergency and priority preventive measures, however we have been working to diversify our sales channels, establish an efficient operational structure, and reduce various costs. Meanwhile, in the KAMEDA SEIKA’s Rice Cracker Business, rising energy costs and soaring raw material prices have been continuing although we have taken measures such as changing formulation, making on-site improvements and revision of prices. In addition, we could not obtain the full effect from the revision of prices we aimed, because consumers continued to strongly economize and the Domestic Rice Cracker market in the third quarter was weak due to the rebound from special demand caused by the spread of COVID-19 in the previous year. As a results, operating income of the Domestic Rice Cracker Business decreased year-on-year.

In the Overseas Business, operating income was flat year-on-year due to an improving trend resulting from the elimination of double operations by completion of our reorganization of Thai subsidiaries, and making the highly profitable THIEN HA KAMEDA, JSC. a consolidated subsidiary, despite the impact of the decline in revenue of Mary’s Gone Crackers, Inc.

In the Food Business, although we worked to increase demand for long-life preserved foods and expand sales channels and reduce manufacturing costs for plant origin lactic acid bacteria products, profits declined mainly due to the impact of a reactionary decline from the increased demand for stockpiling of food in the previous year, as well as an increase in research and development expenses for future business expansion.

As a result of these efforts, operating income decreased by 22.3% year-on-year to ¥2,969 million.

In addition, as a result of a decrease in equity in earnings of affiliates of TH FOODS, INC., an affiliate accounted for by the equity method, ordinary income decreased by 20.6% year-on-year to ¥3,677 million. As a result of recording a gain on step acquisitions in connection with making THIEN HA KAMEDA, JSC. a consolidated subsidiary, net income attributable to owners of the parent decreased by 7.6% year-on-year to ¥3,075 million.

Supplementary Information

In conjunction with the application of the Revenue Recognition Accounting Standard, figures prior to the applicationof the accounting standard are presented under the former standard, and figures after the application of the accounting standard are presented under the new standard.

(Unit: ¥ million)

	Nine Months ended December 31, 2020		Nine Months ended December 31, 2021		〔Reference〕 *4 YoY	
	Old standard*5	〔Reference〕 *4,5 New standard	〔Reference〕 Old standard	New standard	Change	Change (%)
Net sales	77,230	61,997	77,436	62,531	533	0.9
Domestic Rice Cracker Business	61,387	46,953	60,825	46,599	(354)	(0.8)
Overseas Business *1	6,393	5,671	7,435	6,773	1,101	19.4
Food Business *2	4,244	4,167	4,049	4,033	(134)	(3.2)
Other (Freights transport etc.) *3	5,205	5,205	5,125	5,125	(79)	(1.5)
Operating income	3,822	3,822	2,997	2,969	(852)	(22.3)
Operating income margin	4.9%	6.2%	3.9%	4.7%		
Domestic Rice Cracker Business	3,481	3,481	3,006	2,959	(521)	(15.0)
Overseas Business *1	(176)	(176)	(172)	(172)	3	—
Food Business *2	250	250	(95)	(77)	(327)	—
Other (Freights transport etc.) *3	268	268	260	260	(7)	(2.9)

*1. Overseas business includes domestic import and export transactions in addition to those of overseas subsidiaries.

*2. Food business is mainly comprised of long-life preserved foods and plant origin lactic acid bacteria as well as bread made from brown rice and plant-based food.

*3. “Other” consists mainly of the subsidiary’s logistic business.

*4. In accordance with the application of the Revenue Recognition Accounting Standard, the Company analyzes and compares the amount under the assumption that the accounting standard has applied retroactively.

*5. At the end of the previous fiscal year, the Company confirmed the provisional accounting treatment related to business combinations. Accordingly, the figures for the nine months ended December 31, 2020 reflect a significant revision of the initial amount of allocation of acquisition cost due to the confirmation of the provisional accounting treatment.

(2) Explanation of Consolidated Financial Position

(Assets)

Current assets stood at ¥28,717 million at the end of the third quarter, increased ¥3,139 million from the end of the previous fiscal year. This was mainly due to increases of ¥1,905 million in “Notes, accounts receivable-trade and contract assets,” ¥536 million in “Merchandise and finished goods,” ¥375 million in “Raw materials and supplies” and ¥650 million in “Other.” Fixed assets stood at ¥72,327 million, increased ¥5,015 million from the end of the previous fiscal year. This was mainly attributable to increases of ¥415 million in “Buildings and structures, net,” ¥3,247 million in “Other” under the Property, plant and equipment and ¥1,631 million in “Goodwill” which were partially offset by a decrease of ¥414 million in “Investment securities.”

As a result, total assets stood at ¥101,044 million, increased ¥8,155 million from the end of the previous fiscal year.

(Liabilities)

Current liabilities stood at ¥29,109 million at the end of the third quarter, increased ¥6,463 million from the end of the previous fiscal year. This was mainly due to increases of ¥898 million in “Electronic-recording liabilities,” ¥4,740 million in “Short-term loans payable” and ¥3,138 million in “Other” which were partly offset by respective decreases of ¥981 million in “Income taxes payable” and ¥1,540 million in “Provision.” Long-term liabilities stood at ¥9,230 million, decreased ¥1,116 million from the end of the previous fiscal year. This was mainly due to a ¥1,419 million decrease in “Long-term loans payable.”

As a result, total liabilities stood at ¥38,339 million, increased ¥5,346 million from the end of the previous fiscal year.

(Net assets)

Total net assets stood at ¥62,704 million at the end of the third quarter, increased ¥2,808 million from the end of the previous fiscal year. This mainly reflected increases of ¥1,550 million in “Retained earnings,” ¥745 million in “Foreign currency translation adjustments” and ¥530 million in “Non-controlling interests,” resulting from ¥3,075 million in “Net income attributable to owners of the parent,” ¥1,117 million in “Dividends from surplus” and a cumulative-effect adjustment of ¥407 million resulting from application of “Accounting Standard for Revenue Recognition,” etc.

As a result, the equity ratio was 59.9%, down from 62.7% at the end of the previous fiscal year.

(3) Explanation of Future Estimates, Including Consolidated Forecasts

The consolidated forecasts for the fiscal year ending March 31, 2022 have been revised as follows, in accordance with the results for the third quarter of the fiscal year and future prospects.

Although the Overseas Business and the Food Business performed steadily, net sales in the Domestic Rice Cracker Business stalled from October 2021, due to the temporary stockouts accompanying rapid growth in demand for “Tsumami Dane” and “Mugen Ebi,” rebound from special demand and strongly economize in our customers, while we implemented the revisions of prices and content in light of the sharp rise in raw material prices.

In addition to these negative effects on sales, raw material prices continue to soar higher than initially expected, offsetting the positive effects of the revisions of prices and content, and depressed the profit level. As a result, operating income, ordinary income and net income attributable to owners of the parent are expected to be lower than the previous forecast.

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
	¥ million	¥ million	¥ million	¥ million	¥
Previous forecast (A)	86,000	6,000	6,900	5,400	256.12
Revised forecast (B)	84,000	4,800	5,600	4,300	203.95
Change (B-A)	-2,000	-1,200	-1,300	-1,100	—
Change (%)	-2.3	-20.0	-18.8	-20.4	—
(Reference) Results for the fiscal year ended March31,2021*	103,305	5,620	6,889	4,757	225.62

* The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) etc. from the beginning of the first quarter of the current consolidated fiscal year. Net sales at (Reference) Result for the fiscal year ended March 31, 2021 represent figures before the application of the accounting standard, etc.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheet

¥ Million

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	6,510	6,208
Notes and accounts receivable-trade	11,876	—
Notes, accounts receivable-trade and contract assets	—	13,781
Merchandise and finished goods	2,364	2,900
Work in process	807	779
Raw materials and supplies	3,113	3,489
Other	920	1,571
Allowance for doubtful accounts	(15)	(13)
Total current assets	25,577	28,717
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	16,095	16,511
Machinery, equipment and vehicles, net	17,424	17,364
Other, net	12,005	15,253
Total property, plant and equipment	45,525	49,128
Intangible assets		
Goodwill	844	2,476
Customer related assets	722	676
Trademark assets	587	550
Technology assets	364	341
Other	1,029	1,043
Total intangible assets	3,547	5,087
Investments and other assets		
Investment securities	12,545	12,130
Other	5,737	6,025
Allowance for doubtful accounts	(45)	(45)
Total investments and other assets	18,237	18,111
Total fixed assets	67,311	72,327
Total assets	92,888	101,044

		¥ Million
	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,668	3,877
Electronic-recording liabilities	2,499	3,397
Short-term loans payable	6,502	11,242
Income taxes payable	1,062	80
Provision	2,412	871
Asset retirement obligations	67	66
Other	6,433	9,572
Total current liabilities	22,646	29,109
Long-term liabilities		
Long-term loans payable	7,953	6,534
Liabilities for retirement benefits	531	525
Asset retirement obligations	262	261
Other	1,599	1,908
Total long-term liabilities	10,346	9,230
Total liabilities	32,992	38,339
Net assets		
Shareholders' equity		
Capital stock	1,946	1,946
Capital surplus	170	170
Retained earnings	55,514	57,065
Treasury stock	(1,900)	(1,901)
Total shareholders' equity	55,730	57,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	734	764
Deferred gains (losses) on hedges	—	4
Foreign currency translation adjustment	1,245	1,990
Remeasurements of defined benefit plans	507	455
Total accumulated other comprehensive income	2,487	3,215
Non-controlling interests	1,678	2,208
Total net assets	59,895	62,704
Total liabilities and net assets	92,888	101,044

(2) Quarterly Consolidated Income Statement and Consolidated Comprehensive Income Statement

(Quarterly Consolidated Income Statement)

(Cumulative Third Quarter)

¥ Million

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	77,230	62,531
Cost of sales	44,141	45,272
Gross profit	33,088	17,258
Selling, general and administrative expenses	29,266	14,288
Operating income	3,822	2,969
Non-operating income		
Interest income	4	16
Dividend income	47	49
Equity in earnings of affiliates	648	478
Other	334	240
Total non-operating income	1,035	785
Non-operating expenses		
Interest expenses	70	40
Foreign exchange losses	105	—
Commitment fee	10	17
Other	40	19
Total non-operating expenses	227	77
Ordinary income	4,631	3,677
Extraordinary income		
Gain on step acquisitions	—	730
Total extraordinary income	—	730
Extraordinary losses		
Loss on disposal of noncurrent assets	156	160
Total extraordinary losses	156	160
Income before income taxes	4,474	4,247
Income taxes-current	916	286
Income taxes-deferred	238	833
Total income taxes	1,155	1,120
Net income	3,319	3,127
Net income (loss) attributable to non-controlling interests	(9)	51
Net income attributable to owners of the parent	3,328	3,075

(Quarterly Consolidated Comprehensive Income Statement)

(Cumulative Third Quarter)

¥ Million

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net income	3,319	3,127
Other comprehensive income		
Valuation difference on available-for-sale securities	97	30
Deferred gains (losses) on hedges	(4)	4
Foreign currency translation adjustment	(135)	401
Adjustment for retirement benefits	79	(51)
Share of other comprehensive income of associates accounted for using equity method	(471)	369
Total other comprehensive income	(435)	754
Comprehensive income	2,883	3,881
(Breakdown)		
Comprehensive income attributable to owners of the parent	2,946	3,804
Comprehensive income (loss) attributable to non-controlling interests	(62)	76

(3)Notes to the Quarterly Consolidated Financial Statements

(Notes to the Assumption of a Going Concern)

Not applicable.

(Notes Concerning Significant Changes in the Amount of Shareholder Equity)

Not applicable.

(Changes in Important Subsidiaries during the Period)

1. Material change in the scope of consolidation

During the second quarter of the current consolidated fiscal year, THIEN HA KAMEDA, JSC., which was an equity method affiliated company, has been included in the scope of consolidation as a result of the additional acquisition of shares.

In addition, as a result of the acquisition of shares of TAINAI Co., Ltd., it has been included in the scope of consolidation.

2. Material change in the scope of equity method

From the second quarter of the current consolidated fiscal year, THIEN HA KAMEDA, JSC. has been excluded from the scope of equity method since it has been included in the scope of consolidation through an additional share acquisition.

(Changes in Accounting Policies)

(Application of “Accounting Standard for Revenue Recognition,” etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, the “Revenue Recognition Accounting Standard”), etc. from the beginning of the first quarter of the current consolidated fiscal year and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when the control of the goods or services is transferred to customers. Major changes as a result of this application are as described below.

1. Variable Consideration and Consideration payable to a customer

The Company previously recorded certain sales promotion expenses, etc. under selling, general and administrative expenses. The Company has now changed to a method to subtract such expenses from net sales.

2. Agent Transactions

Regarding transactions involving certain products in the Food Business in which the Group acts as an agent in providing the products to customers, the Company previously recognized the gross amount of consideration to be received from customers as revenue. The Company has now changed to a method to recognize revenue at the net amount after deducting the amount to be paid to suppliers from the amount to be received from customers.

The application of the Revenue Recognition Accounting Standard, etc. is based on the transitional treatment provided for in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retroactive application of the new accounting policy, assuming that it has been applied to periods prior to the beginning of the first quarter of the current consolidated fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year, and the new accounting policy is applied from such beginning balance.

As a result, for the nine months ended December 31, 2021, net sales decreased by ¥14,905 million, cost of sales increased by ¥22 million, selling, general and administrative expenses decreased by ¥14,899 million, and operating income, ordinary income, and income before income taxes decreased by ¥27 million, respectively. In addition, the beginning balance of retained earnings decreased by ¥407 million.

Furthermore, “Notes and accounts receivable-trade,” which was presented under “Current assets” in the consolidated balance sheet for the previous fiscal year, is included in “Notes and accounts receivable-trade, and contract assets” from the first quarter of the current consolidated fiscal year. A portion of “Other provisions,” which was presented under “Current liabilities” in the consolidated balance sheet for the previous fiscal year, is recognized as refund liabilities and included in “Other” under current liabilities.

In accordance with the transitional treatment provided for in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the Company has not reclassified financial statements for the previous fiscal year based on the new presentation method. Furthermore, in accordance with the transitional treatment provided for in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information on disaggregate revenue from contracts with customers for the nine months ended December 31, 2020 is not presented.

(Application of “Accounting Standard for Fair Value Measurement,” etc.)

The “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and other standards in Paragraph 19 of the “Accounting Standard for Fair Value Measurement” and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), we have decided to apply the new accounting policies set forth by the “Accounting Standard for Fair Value Measurement” into the future. These changes had no impact on the quarterly consolidated financial statements.

(Segment Information)

Ⅰ Nine months ended December 31, 2020(April 1, 2020 – December 31, 2020)

1. Information regarding the amount of net sales, income and loss by reportable segment

¥ million

	Reportable segment				Other (Note) 1	Total	Adjustment (Note) 2	The amount stated in quarterly consolidated income statement (Note) 3
	Domestic Rice Cracker	Overseas	Food	Total				
Net sales								
Net sales to outside customers	61,387	6,393	4,244	72,025	5,205	77,230	—	77,230
Internal sales or transfers between segments	3	828	18	850	4,227	5,078	(5,078)	—
Total	61,391	7,221	4,262	72,875	9,433	82,308	(5,078)	77,230
Segment income (loss)	3,481	(176)	250	3,554	261	3,815	6	3,822

(Note) 1. “Other” refers to business segments not included in the reportable segments, which includes Freights transport etc.

2. ¥6 million of adjustment of segment income (loss) is ¥6 million of elimination of intersegment transactions.

3. Segment income is adjusted with operating income reported on quarterly consolidated income statement.

2. Information on goodwill and impairment loss on noncurrent assets for each reportable segment

(Material Impairment Loss on Fixed Assets)

Not applicable.

(Material Change in the Amount of Goodwill)

With regard to the share acquisition of Singha Kameda (Thailand) Co., Ltd., which was implemented during the first quarter of the previous consolidated fiscal year, the amount of goodwill was provisionally calculated, as the allocation of acquisition cost had not been confirmed. Since the allocation of acquisition cost was completed and the provisional accounting treatment was confirmed at the end of the fiscal year ended March 31, 2021, the Company has revised the amount of goodwill.

For details, please refer to “Notes (Business Combinations, etc.).”

(Material profit from negative goodwill)

Not applicable.

Ⅱ Nine months ended December 31, 2021(April 1, 2021 – December 31, 2021)

1. Information regarding the amount of net sales, gain and loss by reportable segment

¥ million

	Reportable segment				Other (Note) 1	Total	Adjustment (Note) 2	The amount stated in quarterly consolidated income statement (Note) 3
	Domestic Rice Cracker	Overseas	Food	Total				
Net sales								
Revenue from contracts with customers	46,599	6,773	4,033	57,405	5,125	62,531	—	62,531
Other income	—	—	—	—	—	—	—	—
Net sales to outside customers	46,599	6,773	4,033	57,405	5,125	62,531	—	62,531
Internal salesor transfers between segments	5	940	27	974	4,264	5,238	(5,238)	—
Total	46,604	7,714	4,060	58,379	9,390	67,770	(5,238)	62,531
Segment income (loss)	2,959	(172)	(77)	2,709	245	2,954	14	2,969

(Note) 1. "Other" refers to business segments not included in the reportable segments, which includes Freights transport etc.

2. ¥14 million of adjustment of segment income (loss) is ¥14 million of elimination of intersegment transactions.

3. Segment income is adjusted with operating income reported on quarterly consolidated income statement.

2. Notes relating to changes in reportable segments etc.

As described in "Changes in Accounting Policies," the Company has applied the Revenue Recognition Accounting Standard, etc. from the beginning of the first quarter of the current consolidated fiscal year and changed the accounting method for revenue recognition. Accordingly, the Company has similarly changed the method to measure segment income (loss).

As a result of this change, in comparison with the previous method, net sales and segment income in the "Domestic Rice Cracker Business" decreased by ¥14,225 million and ¥46 million, respectively, net sales in the "Overseas Business" decreased by ¥662 million, and net sales in the "Food Business" decreased by ¥16 million and segment income increased by ¥18 million.

3. Information on goodwill and impairment loss on noncurrent assets for each reportable segment

(Material Impairment Loss on Fixed Assets)

Not applicable.

(Material Change in the Amount of Goodwill)

As a result of the additional acquisition of shares of THIEN HA KAMEDA, JSC. and its inclusion in the scope of consolidation, with a deemed acquisition date of the end of the second quarter of the current consolidated fiscal year, goodwill in the "Overseas Business" segment increased by ¥1,502 million, compared to the end of the previous fiscal year.

The amount of goodwill is calculated provisionally, as the allocation of acquisition cost has not been completed, as of the end of the second quarter of the current consolidated fiscal year.

As a result of the acquisition of shares of TAINAI Co., Ltd. and its inclusion in the scope of consolidation, with a deemed acquisition date of the end of the second quarter of the current consolidated fiscal year, goodwill in the "Food" segment increased by ¥186 million, compared to the end of the previous fiscal year.

(Material profit from negative goodwill)

Not applicable.

(Additional Information)

(Accounting Estimates in Relation to the Impact of the Spread of COVID-19)

For the first three quarters of the current consolidated fiscal year, no new additional information has arisen and there have been no significant changes to the information contained in the previous fiscal year's securities report.

(Business Combinations, etc.)

(Significant revision of the initial amount of allocation of acquisition cost in the comparative information)

The Company provisionally accounted for the business combination of Singha Kameda (Thailand) Co., Ltd., which was conducted on June 29, 2020, for the first quarter of the previous consolidated fiscal year. The provisional accounting treatment was confirmed at the end of the previous fiscal year.

In conjunction with the confirmation of the provisional accounting treatment, a significant revision of the initial amount of allocation of acquisition cost has been reflected in the comparative information included in the quarterly consolidated financial statements for the nine months ended December 31, 2021. Accordingly, the ¥589 million in goodwill, which was provisionally calculated for the nine months ended December 31, 2020, has decreased by ¥159 million to ¥429 million due to the confirmation of the amount of allocation of acquisition cost. The decrease in goodwill is mainly due to increases in property, plant and equipment, long-term liabilities, and non-controlling interests by ¥399 million, ¥79 million, and ¥159 million, respectively.

As a result, in the quarterly consolidated income statements for the third quarter of the previous fiscal year, operating income, ordinary income, income before income taxes, and net income increased by ¥4 million, respectively. In addition, net income attributable to owners of the parent increased by ¥2 million.